MARCOR

1969 ANNUAL REPORT

MARCOR

Montgomery Ward
Container Corporation of America

HIGHLIGHTS	1969	1968 Partial Pooling as Reported	1968 Stated on Pro Forma Basis	1969 Increase over 1968 Pro Forma
Net Sales	$2,715,150,000	$2,500,705,000	$2,500,705,000	8.6%
Net Earnings	66,950,000	53,810,000	57,687,000	16.1%
Earnings per Common Share	4.19	3.14	3.50	19.7%
Earnings per Common Share assuming full dilution	3.43	2.72	2.95	16.3%
Stockholders' Equity	859,347,000	817,615,000		
Book Value per Common Share	44.13	41.23		
Shares Outstanding—				
Preferred	6,558,072	6,612,352		
Common	12,751,264	12,613,392		

CONTENTS

Leo H. Schoenhofen, President

Robert E. Brooker, Chairman

LETTER TO STOCKHOLDERS

Net earnings of Marcor for fiscal 1969 were $67 million, an increase of 16.1% from pro forma earnings of $57.7 million in 1968.

Total Marcor sales were $2,715,150,000, up 8.6% from last year's $2,500,705,000. Both of Marcor's principal subsidiaries, Montgomery Ward and Container Corporation of America, achieved record sales.

In the past year, we exceeded our five-year plan objectives of an average 8½% annual sales growth and 14% earnings growth. We expect to continue to meet these objectives through internal development and expansion of our principal businesses of marketing and distribution.

Montgomery Ward's retail and catalog sales are increasing steadily and now are based on a broad foundation of profitable new stores and advanced operating techniques.

Container Corporation's ability to meet its customers' needs for complete distribution services—creative design, functional packaging engineering, materials handling and point-of-purchase displays—enhances its competitive strength. Because of its complete marketing services and the strategic geographic location of its manufacturing plants, we project a better growth rate for Container Corporation than for the rest of the paperboard packaging industry.

Marcor's improved earnings, and the advantages inherent in establishing a broader market for its common stock, led the Board of Directors on February 3, 1970 to recommend a two-for-one split of Marcor's common stock. The Board of Directors also announced then that it plans to increase the dividend rate on present shares of common stock by 60%, from $1.00 per share to $1.60 per share, at its meeting following the Annual Meeting of Stockholders to be held on May 26.

On February 3, Daniel M. Galbreath, partner in the real estate development firm of John W. Galbreath & Co. Columbus, Ohio, was named to the Marcor Board of Directors.

Although general economic conditions in the early months of 1970 have been less favorable than last year, we expect the momentum of profit improvement which we are achieving through Marcor's internal development programs will keep pace with our five-year plan objectives.

April 16, 1970

Leo H. Schoenhofen

Leo H. Schoenhofen, President

Robert E. Brooker

Robert E. Brooker, Chairman

Earnings of Marcor during 1969 exceeded objectives for the first year of the new Company's five-year plan for growth. Both Montgomery Ward and Container Corporation of America set sales records and are continuing their expansion programs by taking advantage of opportunities in their present fields of business. Five-year goals of Marcor provide for an average of an 8½% annual growth in sales and a 14% compounded increase in earnings.

Net sales of Marcor for the fiscal year ended January 31, 1970 were a record $2,715,150,000, an increase of 8.6% over 1968 sales of $2,500,705,000.

Net income rose 16.1% to $66,950,000, or $4.19 per common share, compared with last year's $57,687,000 or $3.50 per share, on a pro forma basis. Fully-diluted earnings per share, assuming full conversion of Series A convertible preferred shares and exercise of outstanding stock options, were $3.43 for fiscal 1969, compared with $2.95 for 1968 on a pro forma basis.

Stock Split and Dividend Increase

The Board of Directors in February recommended a two-for-one split of Marcor common stock for approval by stockholders at the Annual Meeting on May 26, 1970. The Directors intend to increase the annual dividend rate on present shares of common stock from $1.00 per share to $1.60, an increase of 60%, beginning with the quarterly dividend payable July 15. At the Annual Meeting, stockholders also will be asked to approve an increase in the number of authorized common shares from 50 million to 70 million. Following the proposed split of common, which will be effective June 9, each issued share of preferred will be convertible into two shares of common.

Capital Expenditures Up

Marcor capital expenditures increased from $100 million in 1968 to $136 million in 1969. Of this amount, Montgomery Ward expenditures, principally for expansion of retail stores and computerization of credit facilities, were $55 million. Container Corporation invested $74 million in expansion and modernization of its manufacturing facilities in the United States and overseas.
Montgomery Ward capital expenditures for stores and computer

facilities in 1970 are projected at $68 million. Container Corporation expects to spend $81 million for new plants and additions to existing facilities.

Cash Flow and Sources of Funds

During 1969, Marcor's total operating cash flow of $141 million (after dividends), together with $30 million of funds held for construction, exceeded 1969 requirements for capital outlays. Sources of these funds were: retained earnings of $41 million; depreciation and amortization, $50 million; and deferred income taxes, arising principally from uncollected customers' installment receivables, $50 million. Internally-generated funds from these sources for 1970, together with the remaining $22 million held by trustees for construction in process, are expected to provide adequate funds for total Marcor capital expenditures of approximately $153 million planned for 1970.

Total assets of Marcor increased to $2.8 billion as of January 31, 1970, compared with $2.6 billion last year.

Taxes and Deferrals

Income taxes for 1969 were $56.8 million, compared with $51.6 million in 1968, on a pro forma basis. The tax surcharge increased 1969 taxes by $5 million and pro forma 1968 taxes by $4.9 million, or 39¢ per share, in each of these years.

The effective tax for 1969 was 45.7%, against 47% for 1968 on a pro forma basis.

Consolidated earnings are reported after full provision for all income taxes and reflect investment tax credits of $3.7 million in 1969 and $2.9 million in 1968. Federal tax laws permit the Company to defer from taxable income its gross profit on uncollected customers' installment balances, thus reducing current taxes payable. Consolidated income taxes on unrealized gross profit were thus deferred in the cumulative amount of $148 million at year-end.

Financing and Interest Costs

Accounts receivable of Montgomery Ward at the end of fiscal 1969 increased to $1.1 billion from $988 million at 1968 fiscal year-end. Customer receivables are largely financed by Montgomery Ward Credit Corporation which, in November 1969, sold $50 million of debentures due November 15, 1989. This subsidiary also renewed a $100-million two-year, revolving credit-term loan agreement with major banks during 1969.

At the end of fiscal 1969, the Credit Corporation had a total of $438 million in short-term obligations outstanding, principally commercial paper, and had confirmed lines of bank credit of $531 million.

Total interest costs of Marcor and its

Marcor's first year of operations and its five-year plans for growth were presented with multi-media visuals by the company's six top officers in New York in January in a major financial communications event. Interest in the company attracted one of the largest all-time turnouts of members of the New York Society of Security Analysts.

consolidated subsidiaries were $83.9 million in 1969, compared with $69 million in 1968 on a pro forma basis. Increased interest rates accounted for $7 million of interest costs in 1969.

Retirement and Profit-Sharing Plans

Corporate contributions and provision for the retirement, savings and profit-sharing plans of Montgomery Ward and Container Corporation for 1969 totaled $14.6 million, compared with $10.9 million in 1968. Total assets of the funds exceeded $220 million as of the end of the year.

Subsidiary Operations

Montgomery Ward Life Insurance Company increased insurance in force, including credit life and employee group coverages, to $1.04 billion as of December 31, 1969, compared with $789 million last year. Premium income for 1969 amounted to $9.6 million, compared with $7.5 million in 1968.

Pioneer Trust & Savings Bank earned $2.3 million in fiscal 1969, compared with $1.9 million in 1968. Total resources were $226 million on December 31, 1969, compared with $221 million last year.

Comparative Earnings, 1969 and 1968

The 1968 financial results of Marcor were presented as partial pooling, with Marcor being formed October 31, 1968. To allow a comparison of Marcor's 1969 operating results with 1968 as stated on a pro forma basis, assuming the merger occurred at the beginning of the 1968 fiscal year, or February 1, 1968, the following condensed statement of Marcor and consolidated subsidiaries is presented.

Pro Forma Earnings Comparison (In Millions of Dollars)	Fiscal Years 1969	Fiscal Years 1968 Pro Forma
Net sales	$2,715.2	$2,500.7
Cost of merchandise sold, operating, selling and administrative expenses	$2,507.0	$2,321.9
Interest on 6½% debentures	17.5	17.5
Other interest expense	66.4	51.5
Provision for taxes on income	56.8	51.6
Total costs and expenses	$2,647.7	$2,442.5
Earnings from operations	$ 67.5	$ 58.2
Earnings of non-consolidated subsidiaries	1.9	1.6
Minority interest	(2.4)	(2.1)
Net earnings	$ 67.0	$ 57.7
Net earnings per common share and common equivalent share	$ 4.19	$ 3.50
Net earnings per common share, assuming full dilution	$ 3.43	$ 2.95

Wards is developing new marketing approaches to attract the interest and the patronage of young adults. A special 1970 catalog offers merchandise primarily intended to appeal to this age group. The catalog features on its cover the symbolic photo on reverse side of this page.

Montgomery Ward aggressively is moving into the 1970s with new merchandise and service programs for customers. Top priority is being given to the intensive penetration of major urban markets and to redevelopment of markets in non-urban communities where modular, self-service type stores are being established. Extensive computerized systems are improving operating efficiencies and innovative merchandising techniques are earning customer enthusiasm in retail and catalog stores.

Earnings rise 27.5% on sales increase of 8.5%

Net operating earnings of Montgomery Ward were $43,782,000 in fiscal 1969, an increase of 27.5% over 1968 earnings of $34,347,000 and highest earnings since 1952. Total sales set a new record of $2,155,249,000 and were 8.5% higher than 1968 sales of $1,985,564,000. Principal reasons for growth of sales and profits were improved merchandising and operating performance, intensive retail development of major urban markets and increased profitability of catalog operations.

Retail sales increased 9.1% to $1,582,633,000 from $1,450,577,000. In 1969, 61% of retail sales and 73% of retail pretax profits came from 123 large new stores in major urban markets. These, and 110 other new stores in smaller markets, accounted for 82% of 1969 retail sales and 90% of retail earnings.

Catalog profits continue rise on 7% sales increase

Catalog sales in 1969 set a new record, $572,616,000, an increase of 7% from sales of $534,987,000 in 1968. Profits rose substantially. These increases are attributable to catalog merchandise and marketing innovations supported by computer technology and continued improvements in operating controls. Benefits also accrued from the operations of 894 individually-owned catalog sales agencies and expansion of facilities for tire, battery and auto accessory sales and services in company-owned catalog stores.

Credit sales exceed $1 billion for first time

Ward's consumer credit sales in fiscal 1969 were $1,097,022,000, an increase of 10.7% over $990,796,000 a year ago. Customers' active accounts totaled 5.1 million. Credit sales accounted for 50.9% of total sales, compared with 49.9% a year ago. Accounts receivable outstanding at year-end were $1,104,468,000, an increase of 12% over

$988,147,000 a year ago. The average customer credit account balance increased 7.3% to $207, compared with $193 in 1968. Charg-all sales were 95.9% of total credit sales in 1969, compared with 87.4% in 1968. Time payment sales accounted for the remaining 4.1% of 1969 credit sales.

Computer programs expanded to improve efficiency

To improve control of costs and of customer services, Wards continued its computerization of credit, accounting and catalog operations in 1969. A new computerized administration center was opened near Dallas-Ft. Worth last year and new centers will be opened in Baltimore, Minneapolis-St. Paul and Oakland during 1970.

The company invested $55 million in new stores, equipment, computerized administration centers and other major improvements in 1969, compared with $37 million in 1968. Twenty new stores were opened, seven of them large new stores in new markets and 13 of them new stores replacing smaller units in existing markets. In addition, 11 old stores were replaced with catalog stores or agencies. Retail store selling space was expanded to 20 million square feet with the addition of 1.2 million square feet of selling space and the closing of 515,000 square feet of store selling space.

Plan to add 155 stores in next five years

In 1970, Wards will spend $68 million for store expansion, computerized administration centers and other capital improvements. The company plans to open 22 new stores, nine of them additional stores in new markets, 13 of them to replace existing units. Catalog stores or agencies will replace approximately 10 old stores. Wards is planning to open as many as 155 stores in the next five years, an addition of 9 million square feet of new retail sales space, compared with 5.8 million square feet opened in the past five years.

In the past decade, Wards improved sales per square foot of retail selling space, rais-

Wards increasingly attracts new customers from the affluent youth and young adult market, contributing to the rise in both sales and profits. Anticipating changes in consumer wants, Wards has introduced a profusely illustrated, magazine-type catalog which is earning the patronage of the younger generation.

Home environments of the '70s will change rapidly as new structural materials and new fabrics are adapted by European and Oriental designers into contemporary furnishings for homemakers of all ages in cities, suburbs and country habitats. Montgomery Ward now offers a wide selection of this novel and exciting furniture.

Modular construction is a unique feature of a new type of modified self-service store being developed by Wards. Such stores are erected at less cost than conventional units and built in about half the time. They use pre-stressed concrete panels, mass produced off-site by Ward's subsidiary, Rocky Mountain Prestress Inc.

More than 120 large, modern suburban and regional shopping center stores—like this one opened in Sacramento in 1969—are now serving Montgomery Ward customers. In 1969, 61% of Ward's retail sales and 73% of its retail pretax profits came from such modern stores. The company plans to open as many as 155 stores in the next five years.

ing it from $64 in 1960 to $80 in 1969. Its metro district stores now average $90 per square foot and by 1974 are expected to average $115.

Wards to build 125 stores in regional shopping centers

In future expansion plans, the establishment of Montgomery Ward stores in enclosed malls of major regional shopping centers will be given priority. The long-term return on investment in these locations is greater than for other sites because of higher sales volumes and lower operating costs. In 1969, Wards opened its 82nd store in a regional center; 125 are scheduled to be built in regional shopping centers during the next 10 years.

Although Ward's expansion in the '60s was concentrated in large metropolitan areas, some of its greatest future growth will be in non-urban communities where the company now has 233 old stores and plans to relocate 200.

New modular stores increase sales productivity

In these markets, Wards is testing a new modular-construction store that offers full merchandise lines and self-service. Four prototypes built in 1969 average 60,000 square feet. Methods are being developed to apply modular-construction techniques to larger stores. The new stores have a 70% ratio of sales space to total space, compared with 40% or 50% in most conventional stores. Inventory and most other nonselling merchandising and operating controls will be transferred to computer centers.

Built with pre-stressed concrete panels mass-produced off-site by Marcor's subsidiary, Rocky Mountain Prestress Inc., modular stores are erected at less cost and in about half the time needed for conventional stores. They also can be scheduled to produce profits faster than other new stores.

Record number of customers buys service contracts

Montgomery Ward's service organization, the third largest in the nation, is now able to provide installation and repair services for more than 12,500 customers daily. In 1969, more than 864,000 customers purchased Ward's service contract agreements, assuring them of guaranteed maintenance for appliances and other major product lines.

In 1969, Wards introduced a professionally-taught series of home decorating courses in 100 stores. Other special service departments available to customers now include optical, car rental, income tax counseling, and beauty salons. Through its 232 highly profitable food-service facilities, Wards now is serving 150,000 customers daily.

Edward S. Donnell elected chief executive officer

On February 3, 1970, Edward S. Donnell, president, was elected chief executive officer of Montgomery Ward, succeeding Robert E. Brooker, who has served the company as its chief executive since 1961. In May, Mr. Brooker will retire as chairman, but will continue in an active role with management as chairman of the executive committees of Marcor and Montgomery Ward.

Sidney A. McKnight was appointed senior vice president in 1969. Succeeding him as vice president and general manager of Montgomery Ward's South Central Region is Charles W. Wagner, who also will be elected a Ward's director.

Three divisional vice presidents were promoted in February to corporate vice presidencies: S. W. Allred, vice president-catalog merchandising; C. A. Eckman, vice president-catalog operations; J. A. Marchese, vice president-procurement.

Ward's incentive and training programs expanded and improved

Wards is accelerating, expanding and refining its management development programs, and computerizing its long-range manpower planning schedules. The company

has improved management incentive compensation programs, based on individual achievement of corporate goals. The profit-sharing plan also was improved early this year to permit increased financial participation by employees by raising the maximum deposit rate from 4% to 5% of an employee's gross pay.

Wards expands programs benefiting minority groups

The company continues to hire and train previously unemployed persons under the Federal MA-3 program. It is extending its efforts to sign contracts with service and supply sources owned by minority groups, and in 1969 established the first black-owned catalog sales agency in Chicago. Wards was a major sponsor and leader of the 1969 Chicago Business Opportunity Fair, which provided some 4,500 contacts between minority-owned suppliers and 150 major Chicago companies and, in 1970, will provide primary leadership for this program. The West Coast merchandising coordinator was chairman of a similar trade fair in Los Angeles in 1969. During the year, Wards introduced a pilot program with the National Welfare Rights Organization to provide 3,000 welfare recipients with up to $100 of credit for merchandise and services.

Aid to education, welfare, charities topped $1 million in 1969

Management also began a program of financial aid for education in 1969 by financing National Merit Scholarships for employees' children, the matching of employee gifts to colleges and universities, and provision for financial contributions to more than 500 independent colleges and universities. In 1969, Montgomery Ward contributions exceeded one million dollars for civic, charitable, health and educational organizations.

MONTGOMERY WARD

Most packages designed and produced by Container Corporation of America begin as pulpwood trees. For each tree cut from company-owned land last year, five were planted as part of a continuing forest management program to conserve natural resources and preserve a balanced ecology.

The growth which Container Corporation achieved in the past decade will be accelerated in the 1970s. The company is concentrating its marketing efforts on product areas which demand the greatest creativity and which afford the greatest opportunity for packaging to add value to products, thus enabling the company to enhance its future growth and profitability.

Sales exceed half-billion dollars, earnings level maintained

Sales of Container Corporation of America increased to $509,554,000 in fiscal 1969, rising 8.6% above 1968 sales of $469,359,000, marking the 12th consecutive year of sales growth. Net operating earnings in 1969 totaled $31,792,000, compared with $31,612,000 in fiscal 1968. Despite the upward pressure of labor, material and transportation costs in an inflationary economy, this level of earnings was maintained through increased management emphasis on operational efficiencies and improvement of selling prices.

Finished packaging products account for 83% of volume

Finished packaging products accounted for $424,715,000, or 83% of 1969 sales. These products include paperboard cartons, corrugated and solid-fibre shipping containers, fibre cans and drums, multi-wall bags, point-of-purchase displays, and plastic packages. The company strengthened its marketing programs by increasing its emphasis on growth markets and on product areas in which packaging can add the greatest value to customer products. For example, paperboard cartons produced by Container Corporation are the major medium for the marketing of numerous consumer products. These cartons also provide protection for products, bring convenience to consumers, and help retailers control selling costs by making self-selection easier.

Creative services support sales of paperboard cartons

To increase the contribution which these packages make to customer marketing programs, Container Corporation is concentrating on the application of creative services such as market research, graphic and structural design, and the development of mechanical packaging systems for customer companies.

Corrugated and solid-fibre shipping containers, which accounted for 46% of 1969 sales, fill a vital role in handling, shipping, and warehousing of products of industry. Container Corporation is emphasizing the development of more sophisticated ship-

ping containers, and of packaging systems which enhance the ability of shipping containers to lower distribution costs for customers.

Southern timberland holdings increased by 74,000 acres

The application of creative and technical capabilities to customer marketing and distribution problems supports sales of the company's nationwide network of packaging plants. These are strategically located to serve local markets, and a coordinated national effort allows them to meet the needs of national manufacturing and processing industries. As the company continues to expand its end-use markets, packaging plants, in turn, create a growing demand for the paperboard produced in company mills, which draw upon substantial timber holdings in the Southeast. During the course of the year, the company purchased in fee, or acquired long-term leases on, 74,000 acres of timberland. At year-end, the company owned, leased or had cutting rights on 779,000 acres of timberland. It also has a 49% equity in the T. R. Miller Mill Co. Inc., which owns an additional 194,000 acres.

Capital expenditures total $74 million in 1969

Capital expenditures of Container Corporation totaled $74 million in 1969, compared with $46 million the previous year. To accelerate its future growth, Container Corporation is planning additional capital investment of $200 million over the next three years. The major investment made in 1969 was in connection with expansion of its paperboard mill at Fernandina Beach, Florida. When this $70-million expansion program is completed, capacity of the mill will be doubled to 1,700 tons of containerboard per day, and the company's paperboard-producing capacity will again balance with the needs of its container manufacturing plants. Since an outlet for its increased production is already assured, the new mill will make an immediate contribution to profits when it goes on line in 1971.

Packaging begins with a problem to be solved, a need to be satisfied, a preference to be met, verified through research, distilled in the laboratory, communicated to the designers and engineers who create the many packages that protect and market products and make them more convenient to hold, to carry, to store, and to use.


WHEATIES
Pillsbury
Crest
Secret

New fabricating plants and mills under construction

During the past year, new shipping container plants were opened in Fort Worth, Texas and Ravenna, Ohio. Capacity of container plants in Sioux City, Iowa and Fulton, New York was substantially increased. Construction of a container plant in Cincinnati is now under way, and a similar facility is planned for eastern Pennsylvania. Paperboard mills in Wabash, Indiana and Los Angeles, California were expanded in 1969. The company also plans to open a large new carton manufacturing plant in southern California in 1970.

Sales by overseas subsidiaries increased 14% in 1969

In 1969, sales by Container Corporation subsidiaries in overseas countries totaled $105,099,000, rising 14% above 1968 sales of $92,432,000. Overseas operations accounted for 21% of total corporate sales and 30% of earnings in 1969.

In September 1969, Container Corporation entered the Spanish packaging market through the acquisition of a 50% interest in four companies that operate two paperboard machines and three corrugated shipping container plants. The company expects to increase production at all of these operations in 1970. Other attractive profit opportunities are being pursued by the company's overseas division which has operations in Colombia, Venezuela, Mexico, Italy, and the Netherlands.

Operations in Latin America and Europe expanded

A paperboard mill is now being built in the rapidly-expanding Caribbean coastal area of Colombia. The company's Venezuelan subsidiary is currently involved in a joint venture with a government corporation and private Venezuelan interests, engineering a pulp-and-paperboard mill complex in the promising Guayana area. The capacity of the company's Cerro Gordo paperboard mill in Mexico City was increased during the year. Construction of a new shipping container plant in southern Italy will be started this year to serve the needs of this rapidly developing region.

Henry G. Van der Eb elected chief executive officer

Henry G. Van der Eb, who has served as president of Container Corporation since November 1968, was elected chief executive officer of the company on February 3, 1970. Mr. Van der Eb succeeds Leo H. Schoenhofen, president of Marcor, who has been chief executive officer of Container Corporation since January 1962. Robert E. Feltes, controller of Container Corporation since 1966, was elected a vice president of the company in July. Richard S. Kelly, assistant general counsel for the company since 1967, was elected general counsel for Container Corporation in September. Mr. Kelly also serves as assistant general counsel and secretary of Marcor. Joseph F. Kilcullen, general manager of corporate sales and national accounts for the container division, was elected a vice president in January.

$19 million invested in environmental control systems

Container Corporation is highly sensitive to the problem of pollution control and has been a leader in its industry in control efforts for many years. During 1969, the company continued to invest in air and water control equipment at its plants and mills, raising to $19 million the amount invested for this purpose during the last 10 years.

Air and water quality control is an important factor in the expansion program currently under way at the company's Fernandina Beach mill. Approximately $14 million, or 20% of the total expansion cost, is being invested in equipment for atmospheric and effluent control there. Included are advanced fibre and chemical recovery systems, water recycling equipment, and a new recovery boiler which will virtually eliminate ash material and gases from the air it exhausts into the atmosphere.

Waste-disposal plant built in cooperation with city of Wabash

The company's mill in Wabash, Indiana has completed an agreement with the city for the cooperative construction and operation of a new municipal sewage-treatment plant. The company is assuming responsibility for the design and construc-

tion, on company land, of the sewage plant and a chlorination system which enables municipal waste to be mixed with mill effluents for more efficient treatment.

All-black enterprise established to collect paper stock

In Chicago, the company assisted in the establishment of the West Side Community Paper Stock Corporation, an all-black enterprise, by guaranteeing a quarter-million-dollar bank loan, training personnel, selecting equipment, and assuring a market for the waste paper to be collected by this operation.

This project supplements the normal operations of the company's Pioneer Paper Stock Division which collects and processes secondary fibres for recycling in many of its paperboard mills. Last year, the company collected a million tons of waste paper for conversion into new paper and paperboard products, representing almost 10% of all the secondary fibre collected in the country, and giving the company a unique opportunity to contribute to the solution of the nation's solid-waste problem.

Contributions of $460,000 made by Container Foundation

The Container Corporation of America Foundation, a non-profit corporation, established in 1951 to aid charitable, scientific, and educational institutions, last year made grants totaling $460,000. Of this, 60% was made to educational institutions and 40% to charitable and scientific organizations.

CCA

STATEMENT OF EARNINGS

	Year ended January 31 1970	1969
Net Sales	$2,715,150,000	$2,500,705,000
Costs and Expenses:		
Cost of goods sold	$1,935,472,000	$1,790,983,000
All other expenses	571,613,000	530,978,000
Total	$2,507,085,000	$2,321,961,000
Operating Earnings	$ 208,065,000	$ 178,744,000
Other Deductions:		
Interest expense on 6½% subordinated installment debentures	$ 17,478,000	$ 4,382,000
All other interest expense	66,380,000	51,469,000
Net earnings of Container Corporation applicable to common shares exchanged for debentures	—	10,081,000
Total	$ 83,858,000	$ 65,932,000
Earnings before Taxes on Income	$ 124,207,000	$ 112,812,000
Provision for Taxes on Income:		
Currently payable	$ 6,315,000	$ 23,577,000
Deferred to future periods	50,446,000	34,944,000
Total	$ 56,761,000	$ 58,521,000
Net Earnings from Operations	$ 67,446,000	$ 54,291,000
Earnings of subsidiaries not consolidated	1,934,000	1,586,000
Minority interest in net earnings of subsidiaries	(2,430,000)	(2,067,000)
Net Earnings	$ 66,950,000	$ 53,810,000
Net Earnings Applicable to Common Stock:		
Net earnings	$ 66,950,000	$ 53,810,000
Less—Dividends on preferred stock (pro forma in 1968)	13,006,000	13,802,000
Net earnings applicable to common stock	$ 53,944,000	$ 40,008,000
Net Earnings Per Common Share and Common Equivalent Share	$4.19	$3.14
Net Earnings Per Common Share Assuming Full Dilution	$3.43	$2.72

Explanatory notes to these financial statements appear on Pages 38 through 41.

BALANCE SHEET

ASSETS	January 31 1970	1969
Current Assets:		
Cash	$ 38,639,000	$ 54,068,000
Marketable securities, at cost which approximates market	3,011,000	41,684,000
Receivables, less reserves	1,176,410,000	1,047,823,000
Inventories, at the lower of cost or market	530,819,000	499,448,000
Prepaid expenses	54,667,000	46,901,000
Total current assets	$1,803,546,000	$1,689,924,000
Investments and Other Assets	$ 52,232,000	$ 48,721,000
Properties and Equipment, at cost:		
Land	$ 69,458,000	$ 60,121,000
Timberlands, less depletion	51,837,000	40,706,000
Buildings	366,252,000	353,484,000
Leasehold improvements	34,071,000	30,679,000
Machinery, fixtures and equipment	620,810,000	554,329,000
Funds for construction in process	22,458,000	52,825,000
	$1,164,886,000	$1,092,144,000
Less—Accumulated depreciation and amortization	414,514,000	385,653,000
Properties and equipment, net	$ 750,372,000	$ 706,491,000
Unamortized Financing Costs	$ 6,371,000	$ 6,174,000
Excess of Cost of Acquired Subsidiaries Over Underlying Book Value at Dates of Acquisition	$ 166,746,000	$ 166,697,000
Total	$2,779,267,000	$2,618,007,000

LIABILITIES	January 31 1970	1969
Current Liabilities:		
Short-term loans and current portion of long-term debt	$ 474,914,000	$ 444,849,000
Accounts payable and accrued expenses	330,543,000	303,174,000
Taxes on income—Currently payable	4,125,000	10,886,000
Deferred (primarily relating to installment receivables)	124,390,000	88,231,000
Total current liabilities	$ 933,972,000	$ 847,140,000
Deferred Taxes on Income (relating to accelerated depreciation)	$ 45,875,000	$ 37,960,000
Long-term Debt (less amounts due within one year):		
Senior indebtedness	$ 630,788,000	$ 603,734,000
Subordinated indebtedness	295,472,000	299,181,000
Total long-term debt	$ 926,260,000	$ 902,915,000
Minority Interest in Subsidiaries	$ 13,813,000	$ 12,377,000
Stockholders' Equity:		
Preferred stock, $1.00 par value, issuable in series, authorized 30,000,000 shares; issued, Series A, $2.00 per share cumulative dividends, 6,727,072 shares in 1970 and 6,612,352 shares in 1969 at stated value (convertible into common stock at any time on a share for share basis and callable after May 1, 1974 at $45 per share liquidating value)	$ 43,527,000	$ 39,800,000
Common stock, $1.00 par value, at stated value—Authorized, 50,000,000 shares; issued, 12,781,264 shares in 1970 and 12,613,392 shares in 1969	211,663,000	205,390,000
Earnings reinvested	613,674,000	572,425,000
	$ 868,864,000	$ 817,615,000
Less—Preferred stock held by subsidiary—169,000 shares at cost	9,517,000	—
Total stockholders' equity	$ 859,347,000	$ 817,615,000
Total	$2,779,267,000	$2,618,007,000

Explanatory notes to these financial statements appear on Pages 38 through 41.

STATEMENT OF EARNINGS REINVESTED

	Year ended January 31 1970	1969
Balance at Beginning of Year	$572,425,000	$548,825,000
Net earnings	66,950,000	53,810,000
Total	$639,375,000	$602,635,000
Cash Dividends:		
Preferred stock ($2.00 per share in 1969 and $.41⅔ per share in 1968)	$ 13,006,000	$ 2,752,000
Common stock ($1.00 per share in 1969 and $.25 per share in 1968)	12,695,000	3,147,000
Paid by subsidiaries prior to date of merger	—	19,366,000
Total dividends	$ 25,701,000	$ 25,265,000
Excess of Cost Over Stated Value of Class A Stock Acquired and Retired	—	4,945,000
Total	$ 25,701,000	$ 30,210,000
Balance at End of Year	$613,674,000	$572,425,000

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

	Year ended January 31 1970	1969
Source of Funds:		
Operations		
Net earnings	$ 66,950,000	$ 53,810,000
Depreciation and amortization	50,226,000	47,432,000
Deferred taxes	50,446,000	34,944,000
Provided from operations	$167,622,000	$136,186,000
Increase in borrowings		
Long-term debt (net)	23,345,000	403,067,000
Short-term debt	30,065,000	67,023,000
Exercise of stock options	9,067,000	2,413,000
Increase in accounts payable and accrued expenses	27,369,000	50,866,000
Decrease (increase) in cash and marketable securities	54,102,000	(17,541,000)
Total	$311,570,000	$642,014,000
Disposition of Funds:		
Net property additions and improvements	$124,474,000	$ 98,819,000
Increase in receivables	128,587,000	147,475,000
Increase in inventory	31,371,000	51,493,000
Increase (decrease) in funds held for construction	(30,367,000)	52,825,000
Investment in excess of net book value of acquired subsidiaries	49,000	153,165,000
Decrease (increase) in minority interest	(1,436,000)	115,059,000
Cash dividends	25,701,000	25,265,000
Purchase of Series A preferred stock by subsidiary	9,517,000	—
Other, net	23,674,000	(2,087,000)
Total	$311,570,000	$642,014,000

Explanatory notes to these financial statements appear on Pages 38 through 41.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Container Corporation of America and Montgomery Ward & Co., Incorporated and all of their significant subsidiaries. Two of these subsidiaries, Pioneer Trust & Savings Bank and Montgomery Ward Life Insurance Company, are accounted for on the equity method. Therefore, their earnings are included in net earnings and earnings reinvested.

During the year ended January 31, 1969, the Company acquired the common stock of Montgomery Ward & Co., Incorporated for the Company's common stock and also acquired approximately 59% of the common stock of Container Corporation of America in exchange for the Company's Series A $2.00 convertible cumulative preferred stock. These transactions were accounted for as a pooling of interests. The Company acquired the remaining 41% of the common stock of Container Corporation of America in exchange for debentures, and this transaction was accounted for as a purchase. The net earnings of Container Corporation of America for the period prior to the purchase which were applicable to the common stock exchanged for debentures are excluded from the Company's net earnings.

ACCOUNTS RECEIVABLE

	January 31 1970	January 31 1969
Time Payment	$ 94,823,000	$ 188,828,000
Revolving Charge	959,432,000	770,087,000
Other	162,452,000	135,288,000
Total receivables	$1,216,707,000	$1,094,203,000
Less:		
Reserve for unearned service charges applicable to Time Payment accounts	$ 8,109,000	$ 17,596,000
Reserve for uncollectible accounts	32,188,000	28,784,000
Total reserves	$ 40,297,000	$ 46,380,000
Receivables, less reserves	$1,176,410,000	$1,047,823,000

LEASE OBLIGATIONS

The subsidiaries have leases which have not been capitalized having terms of more than three years in effect as of January 31, 1970, which provide for present aggregate minimum annual rentals of approximately $31,834,000. In certain instances, additional amounts are due, such as real estate taxes and additional rent based upon percentage of sales. The majority of these leases expires by 1995.

STOCK OPTION PLANS

In 1969, the Company adopted a qualified stock option plan under which it reserved 500,000 shares of common stock for issuance to officers and other key employees of the Company. Options for these shares may be granted prior to March 25, 1979. The options will be granted at not less than market value of the shares at the time the option is granted and will be exercisable at such time or times and subject to such conditions as the Stock Option Plan Committee may determine.

The following summarizes the stock option activity for the year ended January 31, 1970 and includes options of Montgomery Ward and Container Corporation converted into Marcor options in connection with the merger for which an additional 383,735 common shares and 379,382 preferred shares were reserved as of that date:

	Common Stock	Preferred Stock
Options outstanding at beginning of year	548,130	503,250
Options granted during year	328,575	—
Options exercised during year	(150,166)	(116,791)
Options cancelled or expired during year	(16,529)	(7,077)
Options outstanding at end of year	710,010	379,382
Average option price of outstanding options	$ 44.18	$ 33.53
Average option price of options exercised during year	$ 35.48	$ 32.02
Options exercisable at January 31, 1970	197,046	158,104

RETIREMENT PLAN

A majority of all regular full-time employees of Marcor and its subsidiaries is covered by contributory retirement income plans. The total cost accrued on these plans, including interest on unfunded prior service, was $6,449,000 for 1969 and $5,155,000 for 1968. The Company has funded all vested benefits under the plans and has made provision for the aggregate unfunded prior service costs of the plans.

PROPOSED CHANGES IN CAPITAL STOCK

On February 3, 1970, the Board of Directors proposed, subject to stockholder approval, to increase the authorized common stock from 50,000,000 shares to 70,000,000 shares and to split each share of common stock into two shares. In addition, each share of preferred stock presently convertible into one share of common stock will be convertible into two shares of common stock.

LONG-TERM DEBT (less amounts due within one year)

	January 31 1970	January 31 1969
Marcor Inc.—		
6½% Subordinated Installment Debentures due 1988	$269,302,000	$269,304,000
Container Corporation of America and Subsidiaries—		
Sinking Fund Debentures due from 1980 to 1993 bearing interest from 3.30% to 6⅝%	71,363,000	74,255,000
Lease obligations, average interest rate of 5¾%	50,836,000	51,055,000
Other	17,496,000	15,707,000
Montgomery Ward & Co., Incorporated—		
Sinking Fund Debentures due from 1982 to 1990 bearing interest from 4⅞% to 6%	162,913,000	163,989,000
Other	5,262,000	6,706,000
Montgomery Ward Credit Corporation—		
Term Notes due 1970-71	25,000,000	50,000,000
Debentures due from 1980 to 1989 bearing interest from 4¾% to 9%	223,750,000	185,000,000
5¼% Subordinated Debentures due 1981	25,000,000	25,000,000
Montgomery Ward Real Estate Subsidiaries—		
Secured Notes due serially to 1999 bearing interest from 4¾% to 8½%	52,775,000	46,383,000
Hydro Conduit Corporation—		
Bank loans due 1971	20,000,000	12,727,000
Other	2,563,000	2,789,000
Total long-term debt	$926,260,000	$902,915,000

Long-term debt payment requirements, excluding $31,788,000 due in 1970, are as follows:

1971	$ 53,871,000	1980-1984	$193,954,000
1972	7,962,000	1985-1989	481,986,000
1973	9,078,000	1990-1994	81,284,000
1974	9,128,000	After 1994	5,216,000
1975-1979	83,781,000	Total long-term debt	$926,260,000

Under the Indenture covering the long-term indebtedness of the Company none of its Earnings Reinvested is restricted as to the payment of dividends. The indentures covering the long-term indebtedness of the Company's consolidated subsidiaries contain provisions which restrict the amount of dividends these subsidiaries may pay to the Company. Under the most restrictive of these provisions, $135,682,000 of Earnings Reinvested of these subsidiaries was available at January 31, 1970 for payment of dividends.

EARNINGS PER SHARE

Earnings per share for the year ended January 31, 1970 have been calculated as follows:

	Common and Common Equivalent Shares	Assuming Full Dilution
Average number of common shares outstanding	12,692,190	12,692,190
Common stock equivalents due to assumed exercise of options	99,636	114,612
Average number of Series A preferred shares outstanding	—	6,513,378
Series A preferred stock equivalents due to assumed exercise of options	—	175,154
Total shares	12,791,826	19,495,334
Net earnings	$66,950,000	$66,950,000
Less—preferred dividend requirements based on average number of preferred shares and preferred equivalent shares outstanding during year	13,372,000	—
Net earnings used in per share calculations	$53,578,000	$66,950,000
Net earnings per share	$4.19	$3.43

Net earnings per common share and common equivalent share and net earnings per common share assuming full dilution have been restated for preceding years to comply with an opinion of the Accounting Principles Board of the American Institute of Certified Public Accountants issued in May 1969.

EARNINGS OF SUBSIDIARIES The consolidated statements of earnings of Montgomery Ward & Co., Incorporated and Container Corporation of America follow:

Montgomery Ward & Co., Incorporated and Consolidated Subsidiaries
Statement of Earnings

for the 52-week periods ended January 28, 1970 and January 29, 1969

	1969	1968
Net sales	$2,155,249,000	$1,985,564,000
Costs and expenses:		
Cost of merchandise sold, including net occupancy and buying expenses	$1,495,581,000	$1,389,844,000
Operating, selling, general and administrative expenses	517,884,000	484,609,000
Interest expense	60,917,000	47,432,000
Total costs and expenses (including depreciation of $25,403,000 in 1969 and $24,102,000 in 1968)	$2,074,382,000	$1,921,885,000
Earnings before taxes on income	$ 80,867,000	$ 63,679,000
Provision for taxes on income	40,427,000	32,518,000
Earnings from operations	$ 40,440,000	$ 31,161,000
Net earnings of subsidiaries not consolidated	3,342,000	3,186,000
Net operating earnings before parent company charges	$ 43,782,000	$ 34,347,000
Interest expense allocated from parent company, less applicable taxes on income of $4,597,000 in 1969 and $1,157,000 in 1968	4,142,000	1,034,000
Net earnings	$ 39,640,000	$ 33,313,000

The Statement of Earnings consolidates all subsidiaries of Montgomery Ward & Co., Incorporated except Pioneer Trust & Savings Bank, Montgomery Ward Life Insurance Company, Hydro Conduit Corporation and Cortron Industries, Inc. The net earnings of these subsidiaries are included in the caption Net earnings of subsidiaries not consolidated. Cortron Industries, Inc. was sold as of December 31, 1969.

Container Corporation of America and Consolidated Subsidiaries
Statement of Earnings

for the years ended January 31, 1970 and 1969

	1969	1968
Net sales	$509,554,000	$469,359,000
Costs and expenses:		
Cost of products sold	$399,538,000	$363,377,000
Selling, administrative and research expenses	46,240,000	42,744,000
Interest expense	4,800,000	3,525,000
Other income, net	(622,000)	(1,099,000)
Total costs and expenses (including depreciation of $21,750,000 in 1969 and $20,419,000 in 1968)	$449,956,000	$408,547,000
Earnings before taxes on income	$ 59,598,000	$ 60,812,000
Provision for taxes on income	25,376,000	27,133,000
Earnings from operations	$ 34,222,000	$ 33,679,000
Minority interest in subsidiaries	2,430,000	2,067,000
Net operating earnings before parent company charges	$ 31,792,000	$ 31,612,000
Interest expense allocated from parent company, less applicable taxes on income of $4,597,000 in 1969 and $1,157,000 in 1968	4,142,000	1,034,000
Net earnings	$ 27,650,000	$ 30,578,000

The overseas operations of Container Corporation are summarized below:

	1969	1968
Net assets	$ 78,669,000	$ 67,636,000
Represented by—		
Minority interest	$ 13,813,000	$ 12,377,000
Container's equity	64,856,000	55,259,000
Total	$ 78,669,000	$ 67,636,000
Net sales	$105,099,000	$ 92,432,000
Total earnings	$ 11,926,000	$ 10,550,000
Container's equity in total earnings	$ 9,496,000	$ 8,483,000

CAPITAL STOCK

The following transactions were reflected in the capital stock accounts of the Company during the year ended January 31, 1970:

	Number of Shares	Stated Value
Preferred Stock		
Balance at beginning of year	6,612,352	$ 39,800,000
Shares issued upon exercise of stock options	116,791	3,740,000
Shares converted to common stock	(2,071)	(13,000)
Balance at end of year	6,727,072	$ 43,527,000
Common Stock		
Balance at beginning of year	12,613,392	$205,390,000
Shares issued under Restricted Stock Plan	15,635	933,000
Shares issued upon exercise of stock options	150,166	5,327,000
Preferred shares converted to common stock	2,071	13,000
Balance at end of year	12,781,264	$211,663,000

RESTRICTED STOCK PLAN

During 1969, the Company adopted a restricted stock plan providing for the issuance of common stock to officers and key employees of the Company and its subsidiaries in lieu of compensation which would otherwise be payable to these individuals. The Company reserved 250,000 shares of its common stock for issuance under this plan. The shares which are issued under the plan are issued at average market prices of the Company's common stock during periods prescribed in the plan and are subject to certain restrictions. The number of shares which may be issued is based on the compensation (as defined in the plan) of the employees selected. During the past year, 15,635 shares were issued under this plan for accumulated deferred compensation at January 31, 1969 at a price of $59.641 per share.

DEPRECIATION

Depreciation has been provided on the straight-line method at rates considered adequate to amortize the cost of the property and equipment over its estimated useful life. Depreciation expense for the years ended January 31, 1970 and 1969, was $50,226,000 and $47,432,000 respectively.

AUDITORS' REPORT

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS, MARCOR INC.:

We have examined the balance sheet of Marcor Inc. (a Delaware Corporation) and consolidated subsidiaries as of January 31, 1970, and the related statements of earnings, earnings reinvested and source and disposition of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying financial statements referred to above present fairly the financial position of Marcor Inc. and consolidated subsidiaries as of January 31, 1970, and the results of their operations and source and disposition of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.
Chicago, Illinois, March 13, 1970

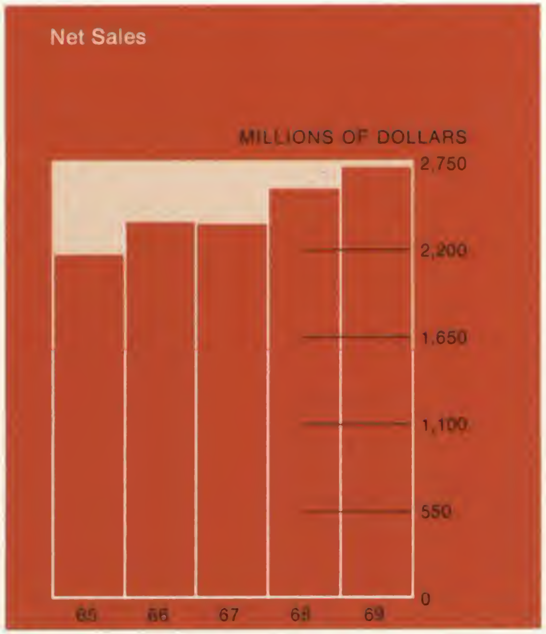
FIVE-YEAR STATISTICAL SUMMARY ($000 omitted)

Operations:	1969	1968	1967	1966	1965
Net sales	$ 2,715,150	$ 2,500,705	$ 2,352,293	$ 2,354,488	$2,154,049
Net earnings*	66,950	53,810	37,443	36,699	40,050
Taxes on income (including all subsidiaries)*	58,417	49,920	27,582	26,527	30,685
Dividends*	25,701	25,265	22,131	21,803	21,215
Additions to properties and equipment	136,328	99,722	95,945	101,898	104,743
Depreciation and amortization	50,226	47,432	45,417	41,651	37,606

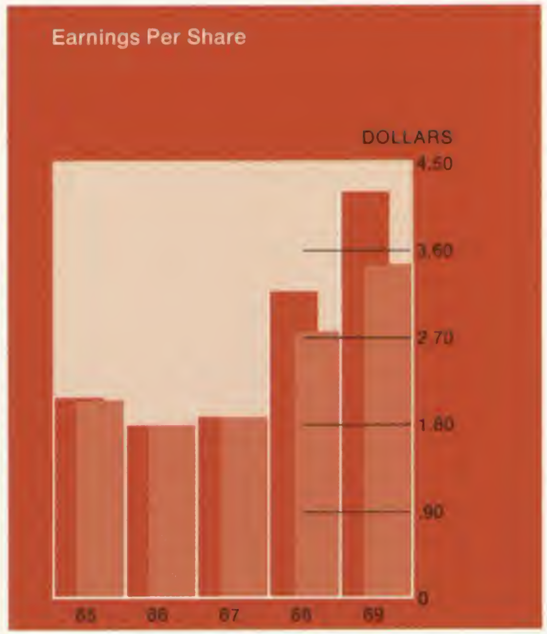
Financial Position:					
Working capital	$ 869,574	$ 842,784	$ 778,639	$ 711,842	$ 765,108
Accounts receivable	1,176,410	1,047,823	900,348	879,475	875,792
Inventories	530,819	499,448	447,955	457,120	445,173
Net investment in properties and equipment	750,372	706,491	602,279	580,463	523,442
Long-term debt—Senior	630,788	603,734	469,898	395,082	384,215
—Subordinated	295,472	299,181	29,950	25,000	25,000

Stockholders' Interest:					
Stockholders' equity*	$ 859,347	$ 817,615	$ 791,675	$ 777,544	$ 762,851
Investment per common share					
(book value of shares outstanding at end of year)	44.13	41.23	39.42	38.19	37.03
Earnings per common share and common equivalent share	4.19	3.14	1.85	1.79	2.04
Earnings per common share assuming full dilution	3.43	2.72	1.85	1.79	2.03
Shares outstanding—					
Preferred (pro forma prior to 1968)	6,558,072	6,612,352	6,566,049	6,597,704	6,598,680
Common	12,751,264	12,613,392	12,586,557	12,586,557	12,581,422
Number of stockholders	80,862	88,248	104,661	104,456	102,902

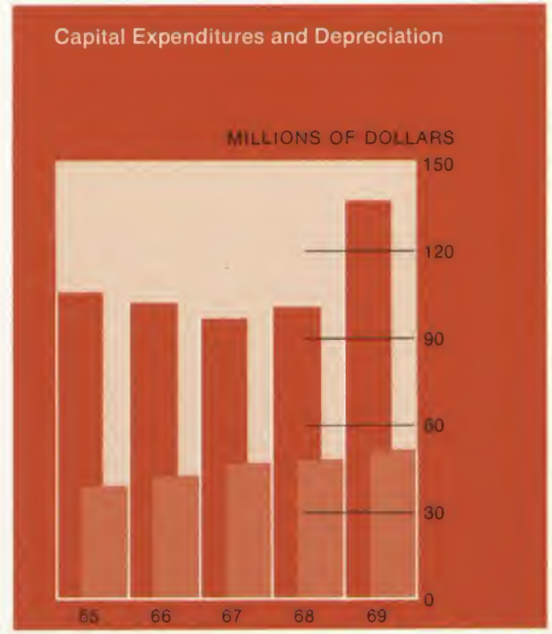
*Amounts prior to November 1, 1968 have been reduced by the portions applicable to Container Corporation shares exchanged for debentures at that date.



Net Sales



Earnings Per Share—Diluted
Earnings Per Share—Primary



Depreciation and Amortization
Capital Expenditures

Marcor net sales rose to $2.7 billion in 1969, an increase of 8.6% over $2.5 billion in 1968.

Montgomery Ward and Container Corporation again posted record sales during the year. Ward's sales improved 8.5% from $1.99 billion to $2.16 billion, topping the $2-billion level for the first time in the company's history. Sales of Container Corporation increased 8.6%, from $469 million in 1968 to $510 million in 1969.

During the past five years, consolidated net sales of Marcor have increased at a compound annual rate of 5.4%. During the same five-year period, sales of Montgomery Ward have improved at a compound annual rate of 4.9% and sales of Container Corporation of America have increased at a compound yearly rate of 5.5%.

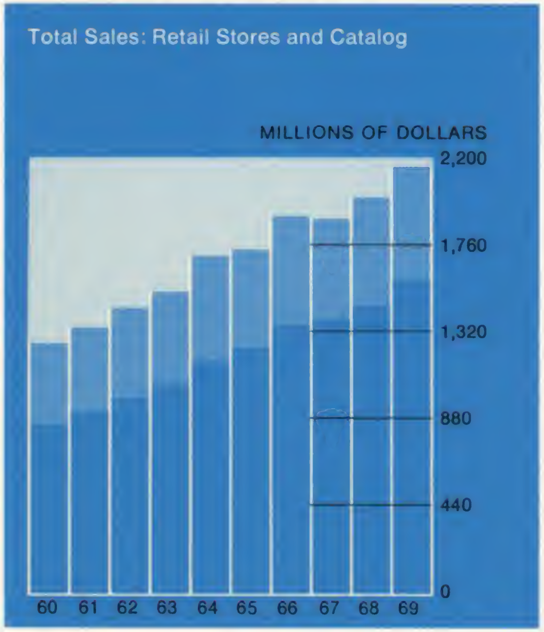
Marcor earnings for 1969 were $67 million, up 24.4% over $53.8 million in 1968, on a partial pooling basis. Earnings in 1969 were equal to $4.19 per share of common stock after provision for preferred dividends against $3.14 per share in 1968 on a partial pooling basis. On a fully diluted basis, 1969 per share earnings were $3.43, against $2.72 on a partial pooling basis in 1968.

Had the Wards-Container Corporation merger occurred February 1, 1968, Marcor 1969 earnings would show a 16.1% rise from $57.7 million in 1968, on a comparable pro forma basis. Earnings per share for 1969 would be up 19.7% from $3.50 per share in 1968. Fully diluted 1969 earnings were $3.43, against $2.95 in 1968 on a comparable pro forma basis.

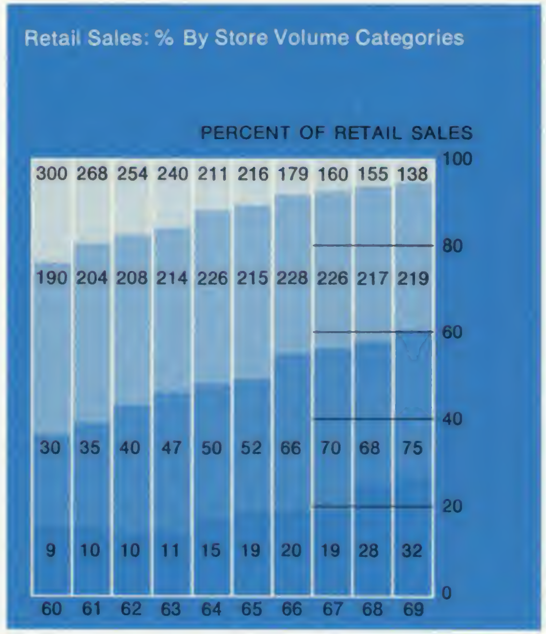
In the period 1965-69, capital expenditures of the Marcor companies totaled $539 million. In 1969, Marcor capital expenditures were $136 million, compared with $100 million in 1968. Total depreciation was $50 million in 1969, compared with $47 million in 1968 and $38 million five years ago.

Montgomery Ward capital expenditures totaled $55 million in 1969, compared with $37 million in 1968 and $68 million five years ago. Container Corporation capital expenditures for 1969 totaled $74 million, against $46 million in 1968 and $37 million in 1965.

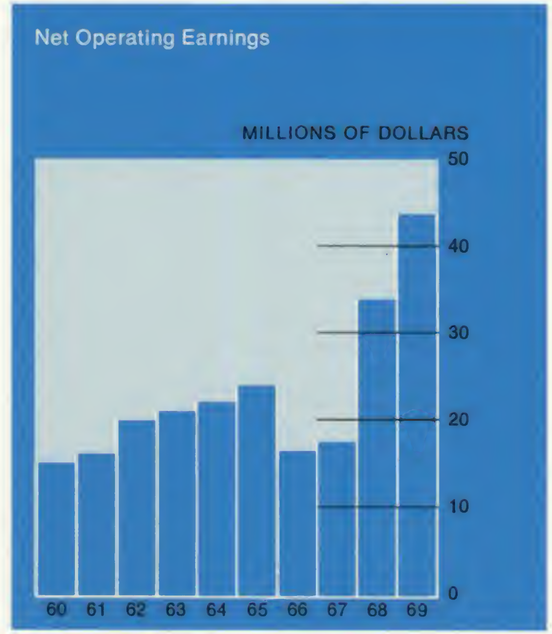
Expenditures of $7 million in 1969, and $17 million in 1968, were applicable to Hydro Conduit Corporation and Cortron Industries Inc.



Catalog Sales
Retail Sales



No. of Stores—Annual Sales Less than $1 Million
No. of Stores—Annual Sales $1 to $5 Million
No. of Stores—Annual Sales $5 to $10 Million
No. of Stores—Annual Sales Over $10 Million



Earnings

Wards set a retail sales record of $1.58 billion in 1969, compared with $1.45 billion in 1968 and $837 million 10 years ago. Catalog sales set a record, increasing to $573 million from $535 million in 1968 and $412 million in 1960.

In 1969, 233 large modern retail stores opened or rehabilitated since 1957 accounted for 82% of total retail sales, compared with 78% for 213 such stores in 1968.

In 1969, Wards opened 20 new stores, including 13 relocated stores, and closed 11 old stores. At year-end, Wards operated 464 retail stores, compared with 468 at the end of 1968. On January 31, 1970, 669 catalog stores were in operation, compared with 695 a year ago. Catalog sales agencies increased to 894 from 804.

In 1969, $427 million, or 27% of Ward's retail sales were produced by its 32 largest stores (over $10 million in annual sales). Seventy-five stores with sales of $5 to $10 million produced $538 million, or 34% of 1969 retail sales.

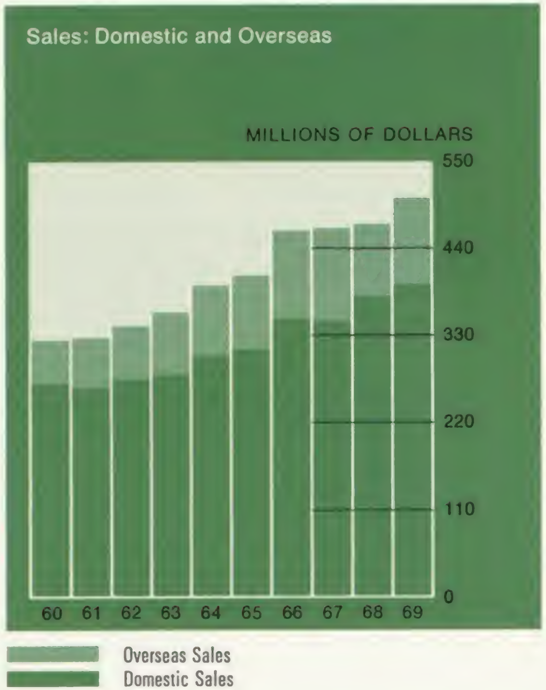
Sales of 219 medium-size stores ($1 to $5 million annually) were $522 million, or 33% of total retail sales in 1969. Sales of $95 million, or 6%, were produced by 138 small stores (under $1 million) during the past year.

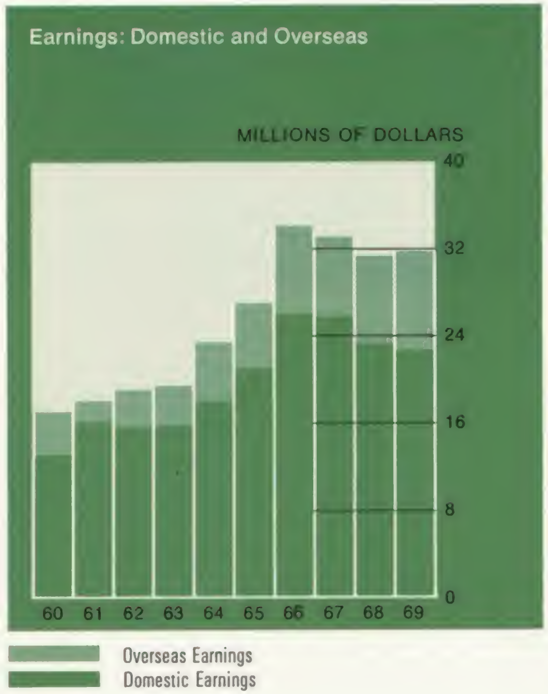
Ward's expansion in metropolitan markets is indicated by the growth of large store sales since 1960, when 39 stores with sales over $5 million accounted for $250 million, or 36% of total retail sales, against 107 stores in 1969, which accounted for $965 million, or 61% of retail sales.

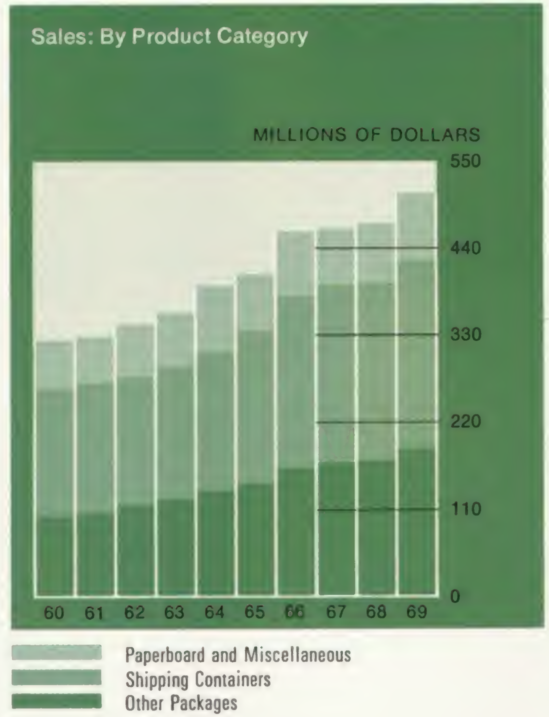
Ward's 1969 net operating earnings were the highest since 1952, rising 27.5% to $43.8 million from $34.3 million a year ago. Net operating earnings for both years were computed before deduction of financing expenses of the parent company.

Ward's net operating earnings have improved throughout the past decade, except for 1966 and 1967, and have increased a total of 191% during the 1960-69 period.

In the past year, approximately 73% of Ward's retail profits came from 123 large new stores in major urban markets. These and 110 other new stores built in smaller markets accounted for 90% of retail earnings. The catalog division continued to make an increased profit contribution.







Total sales of Container Corporation rose 8.6% in 1969 to a record $510 million from $469 million in 1968. Sales surpassed the half-billion dollar level for the first time in the company's history, the increase marking the 12th consecutive year of sales growth.

Domestic sales of the company increased 7.3% from $377 million in 1968 to $405 million in 1969, and again led the paperboard carton and shipping container industries.

In Western European and Latin American nations where Container Corporation has subsidiaries, sales increased 13.7%, from $92 million in 1968 to $105 million in 1969. In the past year, these operations accounted for 21% of total sales of Container Corporation.

In 1969, net operating earnings of Container Corporation were $31.8 million, compared with earnings of $31.6 million in fiscal 1968. This level was maintained through management's increased emphasis on internal efficiencies and the establishment of improved price levels.

Earnings from overseas subsidiaries increased from $8.5 million in 1968 to $9.5 million in 1969, an 11.9% improvement. In the past year, Container Corporation's overseas operations accounted for 30% of total earnings, compared with 27% in 1968 and 21% in 1967.

The slight decrease in domestic operating earnings was the result of start-up costs at new plants and increased labor, material and transportation costs, which were only partially recovered.

Container Corporation has increased sales of finished packaging products more rapidly than total sales, by concentrating on end-use markets for packaging products. In the past 10 years, it increased sales of shipping containers 51% and sales of other packaging products 78%. Sales of non-packaging products rose 32%.

In 1969, finished packaging products represented 83% of total sales. Corrugated and solid-fibre shipping containers accounted for 46%. Other types of packaging, including paperboard cartons, fibre cans and plastic packages, represented approximately 37%. The balance consisted of paperboard sales to trade and of pulp substitutes which Container Corporation collected and sold to other secondary fibre users.

MARCOR DIRECTORS

ROBERT E. BROOKER
Chairman and Chief Executive Officer
Chairman, Montgomery Ward

LEO H. SCHOENHOFEN
President
Chairman, Container Corporation

GORDON R. WORLEY
Financial Vice President
Vice President-Finance, Montgomery Ward

THOMAS F. CASS
Executive Vice President, Container Corporation

FREDERICK S. CRYSLER
Executive Vice President, Container Corporation

WILLIAM P. DRAKE
Chairman and Chief Executive Officer,
Pennwalt Corporation, Philadelphia, Pennsylvania

EDWARD S. DONNELL
President and Chief Executive Officer,
Montgomery Ward

GAYLORD A. FREEMAN JR.
Chairman of the Board, The First National Bank of Chicago

DANIEL M. GALBREATH
Partner, John W. Galbreath & Co., Columbus, Ohio

DONALD M. GRAHAM
Chairman of the Board,
Continental Illinois National
Bank & Trust Company of Chicago

EDWARD GUDEMAN
Limited Partner, Lehman Brothers, New York

ROBERT S. INGERSOLL
Chairman and Chief Executive Officer,
Borg-Warner Corporation, Chicago

JAMES LUTZ
Executive Vice President-Merchandising, Montgomery Ward

JAMES J. NANCE
Chairman, Executive Committee, Montgomery Ward

HENRY G. VAN DER EB
President and Chief Executive Officer,
Container Corporation

OFFICERS

ROBERT E. BROOKER
Chairman and Chief Executive Officer

LEO H. SCHOENHOFEN
President

GORDON R. WORLEY
Financial Vice President

CARL M. BLUMENSCHEIN
Vice President-Controller

HARRY E. GREEN
Vice President-Overseas

DANIEL WALKER
Vice President and General Counsel

RICHARD S. KELLY
Secretary and Assistant General Counsel

MONTGOMERY WARD DIRECTORS

Robert E. Brooker
Chairman, Montgomery Ward

Edward S. Donnell
President and Chief Executive Officer, Montgomery Ward

James J. Nance
Chairman of the Executive Committee, Montgomery Ward

Dwight M. Cochran
Retired President, Kern County Land Company, San Francisco

Harold F. Dysart
Vice President-Operating, Montgomery Ward

Donald M. Graham
Chairman of the Board, Continental Illinois National Bank & Trust Company of Chicago

Edward Gudeman
Limited Partner, Lehman Brothers, New York

James Lutz
Executive Vice President-Merchandising, Montgomery Ward

Sidney A. McKnight
Senior Vice President, Montgomery Ward

Robert L. Milligan
Chairman, Pure Oil Company, a Division of Union Oil Company of California, Chicago

Martin D. Munger
Vice President, Montgomery Ward

Leo H. Schoenhofen
Chairman, Container Corporation

Henry G. Van der Eb
President and Chief Executive Officer, Container Corporation

Frederick H. Veach
Vice President, Montgomery Ward

Daniel Walker
Vice President, General Counsel and Secretary, Montgomery Ward

S. Donald Ward
Vice President, Montgomery Ward

Gordon R. Worley
Vice President-Finance, Montgomery Ward

OFFICERS

Robert E. Brooker
Chairman

Edward S. Donnell
President and Chief Executive Officer

James Lutz
Executive Vice President—Merchandising

Sidney A. McKnight
Senior Vice President

VICE PRESIDENTS

Richard L. Abbott
New York Office

Sanford W. Allred
Catalog Merchandising

Ashley D. DeShazor
Credit

Harold F. Dysart
Operating

Chett A. Eckman
Catalog Operations

John D. Foster
Personnel

Robert M. Harrell
Retail Merchandising

Phillip I. Lifschultz
Taxes

John A. Marchese
Procurement

Martin D. Munger
Eastern Region

Kermit A. Pickett
Systems

Frederick H. Veach
Western Region

Charles W. Wagner
South Central Region

Daniel Walker
General Counsel and Secretary

S. Donald Ward
North Central Region

Gordon R. Worley
Finance

DIVISIONAL VICE PRESIDENTS

Robert V. Guelich
Public Relations

Dean R. Lewis
Customer Service

Herman A. Nater
Distribution

Richard C. Scheidt
Labor Relations

ASSISTANT VICE PRESIDENTS

Leo J. Leydon
Auditing

William J. Schroeder
Accounting

John B. Stark
Merchandising Control

TREASURER

Harold E. Sortor

ASSISTANT TREASURERS

James C. Morton
Bank Relations

Roger M. Vasey
Investor Relations and Financial Planning

Lawrence A. Ward
Investments

ASSISTANT SECRETARIES

Harold W. Bancroft

Mark C. Curran

William F. McNally

James G. McWaters

Joseph R. Petr

Irwin J. Shapiro

William A. Voss

CONTAINER CORPORATION DIRECTORS

Leo H. Schoenhofen
Chairman, Container Corporation

Henry G. Van der Eb
President and Chief Executive Officer, Container Corporation

Carl M. Blumenschein
Senior Vice President-Finance, Container Corporation

Robert E. Brooker
Chairman, Montgomery Ward

Thomas F. Cass
Executive Vice President, Container Corporation

Frederick S. Crysler
Executive Vice President, Container Corporation

Edward S. Donnell
President and Chief Executive Officer, Montgomery Ward

Harry E. Green
Senior Vice President, Container Corporation

Paul W. Guenzel
Vice President and Treasurer, Container Corporation

OFFICERS

Leo H. Schoenhofen
Chairman

Henry G. Van der Eb
President and Chief Executive Officer

Thomas F. Cass
Executive Vice President

Frederick S. Crysler
Executive Vice President

Carl M. Blumenschein
Senior Vice President-Finance

R. Harper Brown
Senior Vice President

Harry E. Green
Senior Vice President

Donn O. Jennings
Senior Vice President

Everett G. Temple
Senior Vice President

William B. Whiting
Senior Vice President

Paul W. Guenzel
Vice President and Treasurer

Richard C. Bittenbender
Vice President-Personnel

Laurence A. Combs
Vice President-Industrial Relations

Robert E. Feltes
Vice President and Controller

Richard S. Kelly
General Counsel

Edward K. Meier
Secretary

DIVISIONAL VICE PRESIDENTS

SHIPPING CONTAINERS

Albert L. Ahlers

Charles B. Bishop

Lewis M. Cutter

Macon M. Dalton

Frank G. Jones

Joseph F. Kilcullen

Richard C. Winkler

FOLDING CARTONS

Albert A. Austin
Paul A. Graf
William E. Mastbaum
Morton H. Robinson
J. Donald Scott
David C. Whitehouse

FIBRE CANS

Thomas L. Benson Jr.
Robert J. Brockman

PAPERBOARD MILLS

R. William Erskine
Robert E. Phinney

PLASTICS

Jerome S. Heisler

DIVISIONAL VICE PRESIDENTS OVERSEAS

Earl P. Kaufman
William H. Richards
Stanley B. Tamkin

RESEARCH

William P. Peters

ASSISTANT CONTROLLER AND ASSISTANT TREASURER

James F. Oates

ASSISTANT CONTROLLERS

H. Woodward Johnson Jr.
William P. Lee

ASSISTANT TREASURER

John J. Egan

ASSISTANT SECRETARIES

Richard W. Carpenter
Edmund H. Drager Jr.
Joseph B. Higgs

Corporate Offices

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Wilmington, Delaware 19809
Telephone (302) 762-5256

Marcor Inc.
619 West Chicago Avenue
Chicago, Illinois 60607
Telephone (312) 467-8800

Montgomery Ward & Co., Incorporated
619 West Chicago Avenue
Chicago, Illinois 60607
Telephone (312) 467-2000

Container Corporation of America
One First National Plaza
Chicago, Illinois 60670
Telephone (312) 786-5500

Common Stock

TRANSFER AGENTS

The Northern Trust Company
Chicago, Illinois

Morgan Guaranty Trust Company of New York
New York, New York

REGISTRARS

The First National Bank of Chicago
Chicago, Illinois

Bankers Trust Company
New York, New York

Preferred Stock

TRANSFER AGENTS

Harris Trust & Savings Bank
Chicago, Illinois

First National City Bank
New York, New York

REGISTRARS

Continental Illinois National Bank
& Trust Company of Chicago
Chicago, Illinois

Chemical Bank New York Trust Company
New York, New York

6½% Subordinated Debentures

TRUSTEE

Continental Illinois National Bank
& Trust Company of Chicago
Chicago, Illinois

Marcor Stockholder Meeting

The Annual Meeting of Marcor stockholders will be held at 10 a.m. on Tuesday, May 26, 1970 at 619 West Chicago Avenue, Chicago, Illinois. Formal notice of the meeting, a proxy statement and proxy, were mailed to all stockholders of record April 16, 1970 with a copy of this Annual Report.